

REAL ESTATE OWNED PROPERTIES

Presenters

Jan Lewis
Ginger Nicholas

Mortgagee Letters

MORTGAGEE LETTERS

ML 2010-17

❖ Lead Base Paint

ML 2010-16

❖ Introduction of the M&M III Mortgagee Compliance Manager (MCM)

MORTGAGEE LETTERS

ML 2010-08

❖ Appraisal validity period and second appraisals

ML 2000-27

❖ Appraising and Financing HUD REO Properties with FHA-Insured Financing

MORTGAGEE LETTERS

ML 1995-56

❖ Insured Sales with Repair Escrows

Notice H 09-17

❖ Closing Costs Paid by HUD

WHAT IS A HUD REAL ESTATE OWNED (REO) PROPERTY?

- ❖ FHA Insured loan goes into default and forecloses
- ❖ Lender applies to HUD for insurance claim
- ❖ Property is deeded to HUD

CHANGES TO REO

Summary of Changes

- ❖ Separate contractors for property management and for marketing/sales
- ❖ One web site for everything
- ❖ New bidder registration process
- ❖ Exclusive owner occupant period changes
- ❖ Daily listings
- ❖ \$100 down incentive has been discontinued unless accepted for GNND

Asset Manager

- ❖ Commonly referred to as AM's
- ❖ Main Contact
- ❖ Review all bids
- ❖ Select listing Brokers
- ❖ Handles all contract questions or concerns

Field Service Manager

- ❖ A field service manager is commonly called FSM
- ❖ Provide maintenance and preservation services

POLL QUESTION



The REO website:
www.HUDhomestore.com

- ❖ One web site for the entire country
- ❖ Search the list of HUD REO properties
- ❖ Purchasers will see what brokers see
- ❖ AM's will have the ability to list properties daily
- ❖ Submit bids and obtain forms

Current Territorial Map

REAL ESTATE OWNED Oct 2010 - Microsoft PowerPoint

MM3 Announcements (Go Live 9-13-10).pdf - Adobe Reader

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Please fill out the following form. You cannot save data typed into this form. Please print your completed form if you would like a copy for your records.

Highlight Fields

Asset Manager (AM) and Field Service Manager (FSM) Homeownership Center Geographic Areas

HI*** Consists of Hawaii, Guam, the Northern Mariana Islands, and American Samoa

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Please print your completed form if you would like a copy for your records.

Highlight Fields

12*** Consists of Hawaii, Guam, the Northern Mariana Islands, and American Samoa

Color Code	Area	States	AM Contractors	AM Status	FSM Contractors	FSM Status
	Area 1S	AZ, ID, NV	• BLB Resources	9/27/10	• First Preston • SIGMA Construction	9/27/10
	Area 2S	AK, CA, HI, OR, WA	• BLB Resources • PEMCO	9/27/10	• Asset Management Specialists • Cityside Management	9/27/10
	Area 1D	CO, NM, No. TX, UT	• HomeTelos • Matt Martin Real Estate • PEMCO	9/27/10	• Asset Management Specialist • SIGMA Construction	9/27/10
	Area 2D	AR, KS, LA, MO, OK, So. TX	• HomeTelos • Matt Martin Real Estate • PEMCO	9/13/10	• A12 Field Services • Asset Management Specialists • Cityside Management	9/13/10
	Area 3D	IA, MN, MT, ND, NE, SD, WY, WI	• BestAssets	8/30/10	• Asset Management Specialists • First Preston	8/30/10
	Area 1P	Michigan	• BLB Resources • Cityside/HHN	9/27/10	• Asset Management Specialists • A-Sons Construction • IEL-Tidewater • SIGMA Construction	9/27/10
	Area 2P	DC, DE, MD, OH, PA, VA, WV	• HomeTelos • Matt Martin Real Estate • Ofori	9/13/10	• A12 Field Services • Cityside Management • Innovation Enterprises	9/13/10
	Area 3P	CT, MA, ME, NH, NJ, NY, RI, VT	• Cityside/HHN • Ofori	9/13/10	• Asset Management Specialists • A-Sons Construction • Cooper-CitWest	9/13/10
	Area 1A	IL, IN, KY, NC, SC, TN	• HomeTelos • Ofori • PEMCO	9/13/10	• A12 Field Services • Asset Management Specialists • Cityside Management • Cooper-CitWest • Innovation Enterprises	9/13/10
	Area 2A	AL, FL, GA, MS, PR, VI	• HomeTelos • Ofori • PEMCO	9/27/10	• Cityside Management • Cooper-CitWest • CWTS LLC • Innovation Enterprises • PK Management Group	9/27/10

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Case Numbers

CASE NUMBER ASSIGNMENT

- ❖ In FHA Connection order a new case number
- ❖ In FHA Connection select **Real Estate Owned** for processing type with or without an appraisal
- ❖ In FHA Connection answer **yes** to case previously sold as a Real Estate Owned
- ❖ In FHA Connection enter **previous case number**
- ❖ Call HOC if FHA Connection indicates previous case number **does not exist**

Case Number Cont

Case Number Assignment - Windows Internet Explorer

https://entp.hud.gov/cas/html/f17ra-c.cfm

Case Number Assignment

Case Type: Regular DE **Construction Code:** Proposed Construction **Processing Type:** Real Estate Owned w/Appraisal **Financing Type:** N/A

ADP Code: 703 **Living Units:** 01 **Program ID:** (00)-Default **Loan Term:** 360

ADP Code Characteristics:

Amortization Type: Fixed **Housing Program:** FHA Standard Mortgage Program (203b) **Condominium:** No

Special Program: No Special Program **Buydown:** No

Type of Case: Forward Purchase

If Purchase: Was this case previously sold as Real Estate Owned (previously sold by HUD)? ☐ Yes ☒ No

If Refinance: Specify type of refinance: Not a Refinance

*** As Required ***

All Refinances: (a) Select streamline refinance type: Not Streamlined (b) Is this a Cash-out Refinance: ☐ Yes ☐ No

Prior FHA and prior REO cases: Enter case number of previous case: [] []

HOPE Loans:

(a) Confirm that this case qualifies as HOPE Loan: No

(b) Debt-to-Income (DTI) Ratio: [] as of: []/[]/[]

(c) Number of payments made on old loan: []

(d) Date of first payment for old loan: []/[]/[]

Calculations

MAXIMUM MORTGAGE CALCULATIONS

- ❖ Maximum Mortgage Amount is calculated on the lesser of the AS-IS value or Sales Price
- ❖ Closing Cost and Prepays may NOT be added in the mortgage amount
- ❖ May include cost of repairs up to 110% (repairs must be \$5000 or less) if greater than \$5000 must be a 203K loan
- ❖ If any sales incentives allowed they must be included in the REO contract

Appraisal

APPRAISAL

- ❖ Asset Managers will order an AS-IS appraisal (not as repaired) to determine list price
- ❖ Appraiser will list any needed repairs
- ❖ Utilities should be on at time of appraisal; otherwise lender or purchaser is responsible for system check
- ❖ Contact the Asset Manager for a copy of the appraisal (free of charge)
- ❖ Lenders may NOT order a new appraisal unless the appraisal is expired or if material deficiencies exist per ML 2000-27 & 2010-08

Appraisal Update

- ❖ Mortgagee letters 2010-13 & 2010-08
- ❖ 30 day extension period permitted for an original appraisal if it has not been updated
- ❖ New appraisal can be ordered if there are material deficiencies or the original appraisal is expired
- ❖ 2nd appraisal is not permitted to support an overbid

Repairs

REPAIR ESCROW

- ❖ Comply with 4145.1 for procedures to establish and administer
- ❖ Form HUD-92300 Mortgagee's Assurance of Completion
- ❖ Form HUD-92051 Compliance Inspection Report
- ❖ Repair escrow is 110% and total amount is listed on contract.

Sales Types

SALES TYPES

Properties are marketed and sold based on the condition of the property existing at the time of listing

- ❖ **INSURABLE**-meets FHA's Minimum Property Requirements as is condition-no repairs
- ❖ **INSURABLE WITH CONDITIONS**-repairs required and must be satisfied to meet FHA's Minimum Property Requirements prior to closing
- ❖ **INSURABLE WITH REPAIR ESCROWS**-repairs of less than \$5000 as determined by the appraiser to have the property meet FHA's Minimum Property Requirements an escrow must be established; may include 110% of estimated repairs in the mortgage amount ML 95-56 (FHA does not pay for repairs) Generally all repairs are to be completed within 90 days of closing.
- ❖ **UNINSURABLE**-repairs greater than \$5000 as determined by the appraiser in order for the property to meet FHA's Minimum Property Requirements are only available with 203k financing

Poll Question

Inspections

INDEPENDENT HOME INSPECTIONS

- ❖ IF THE HOME INSPECTION IDENTIFIES REPAIRS WHICH WERE NOT IDENTIFIED ON THE APPRAISAL, LENDERS MUST DISCUSS SUCH DISCREPANCIES WITH THE ASSET MANAGER. THE ASSET MANAGER MAY ALLOW MODIFICATIONS TO THE CONTRACT TO ALLOW THE SALES TRANSACTION TO CONTINUE

Sales Contracts

SALES CONTRACT REQUIREMENTS

- ❖ Only a fully executed contract is acceptable Form HUD-9548 (must be signed by the Asset Manager or lender should not process the loan)
- ❖ To be eligible for FHA insured financing the first block in item 4, as well as the block for the appropriate FHA 203(b) program, 203(b) with repair escrow, or 203(k) must be checked
- ❖ For condominiums section 203(b) should be checked
- ❖ The amount of the repair escrow should be entered on line 11b
- ❖ Overbidding appraised value requires the buyer to add the difference to FHA down payment amount needed at closing

SALES CONTRACT REQUIREMENTS CONT

- ❖ Line 5 on the contract will indicate closing cost paid by FHA; only actual amount can be credited at closing (cannot use excess for prepaids)
- ❖ If no closing cost or prepaids are indicated to be paid by FHA; then borrower must pay with their own funds and costs cannot be added to the loan amount
- ❖ For Your Protection Get a Home Inspection is required

SALES CONTRACT CONT

http://www.firstpreston.com/documents/fha203k.pdf - Microsoft Internet Explorer

File Edit Go To Favorites Help

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Address http://www.firstpreston.com/documents/fha203k.pdf Go Links

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EXAMPLE: FHA INSURED 203(k) FINANCING

Sales Contract U.S. Department of Housing and Urban Development
Property Disposition Program Office of Housing
Federal Housing Commissioner

1. I (We), JOHN SMITH AND LAURA SMITH HUD Case No. 492-123456
(Purchaser(s)) agree to purchase on the terms set forth herein, the following property, as more particularly described in the deed conveying the property to the Secretary of Housing and Urban Development:
723 PRESTON ROAD, DALLAS, DALLAS COUNTY, TEXAS, 75001
(street number, street name, unit number, if applicable, city, county, State)

2. The Secretary of Housing and Urban Development (Seller) agrees to sell the property at the price and terms set forth herein, and to prepare a deed containing a covenant which warrants against the acts of the Seller and all claiming by, through or under him. Title will be taken in the following name(s) and style [See the required wording for your region in the Guidebook for Real Estate Professionals]

3. The agreed purchase price of the property is 3. \$ 125,000
Purchaser has paid \$ 1,000 as earnest money to be applied on the purchase price, and agrees to pay the balance of the purchase price, plus or minus prorations, at the time of closing, in cash to Seller. The earnest money deposit shall be held by [See the required wording for your region in the Guidebook for Real Estate Professionals]

4. ☒ Purchaser is applying for FHA insured financing ☐ 203(b), ☐ 203(b) repair escrow, ☒ 203(k) with a cash down payment of \$ due at closing and the balance secured by a mortgage in the amount of \$ for months (does not include FHA Mortgage Insurance Premium, prepaid expenses or closing costs Seller has agreed to fund into mortgage.).
☐ Said mortgage involves a repair escrow amounting to \$
☐ Purchaser is paying cash or applying for conventional or other financing not involving FHA.

5. Seller will pay reasonable and customary costs, but not more than actual costs, nor more than paid by a typical Seller in the area, of obtaining financing and/or closing (excluding broker's commission) in an amount not to exceed .. 5. \$ 3,750

6a. Upon sales closing, Seller agrees to pay to the broker identified below a commission (including selling bonus, if offered by seller) of 6a. \$ 6,250

6b. If broker identified below is not the broad listing broker, broad listing broker will receive a commission of: 6b. \$ 0

7. The net amount due Seller is (Purchase price [Item 3] less Items 5 and 6) 7. \$ 115,000

8. Purchaser is: ☒ owner-occupant (will occupy this property as primary residence) ☐ investor
☐ nonprofit organization ☐ public housing agency ☐ other government agency. Discount at closing: %
Discount will reduced by amounts, if any, listed on Line Items 5 and 6.

Done

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Poll Question

Investor Loans

INVESTOR LOANS

- ❖ Investors are eligible for 203b financing only
- ❖ 75% LTV for 1 unit
- ❖ 85% LTV for 2-4 unit
- ❖ 203K not allowed

The background of the slide features a large, light blue, semi-transparent seal of the Federal Housing Administration (FHA). The seal is circular, with the words "U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT" around the perimeter. In the center is an eagle with its wings spread, perched atop a shield with vertical stripes. The text "REO Incentives" is overlaid in large, bold, red font.

REO Incentives

HUD REO INCENTIVES

- ❖ Up to 3% closing cost and up to 5% selling agent commissions paid by HUD if listed in the contract and approved by HUD
- ❖ Good Neighbor Next Door (GNND) Program
- ❖ \$100 Down payment program has been discontinued unless accepted on a GNND contract

INCENTIVES ON CLOSING COST AND COMMISSIONS

- ❖ If included in the sales contract, HUD will pay up to 3% of the list price for closing cost and up to 5% for the selling agent commission

Good Neighbor Next Door

SALES INCENTIVES ON GNND PROGRAM

HUD offers for sale at 50% discount from the list price certain properties in HUD designated revitalization areas to full time:

- ❖ Firefighters
- ❖ Emergency Technicians
- ❖ Teachers
- ❖ Law Enforcement Officers

HUD OWNED PROPERTIES

- ❖ Only Single Family 1 unit HUD homes located in HUD designated revitalization areas are eligible for GNND programs
- ❖ Bids must be submitted over the Internet by a real estate broker participating in HUD programs.
- ❖ Go to HUDhomestore.com for more information

GENERAL QUALIFICATIONS FOR GNND PROGRAMS

- ❖ Eligible F/T employment
- ❖ Good faith intent to remain in employment status for one year
- ❖ Earnest money deposit required
- ❖ No ownership of residential real property for 1 year preceding offer submission date by either buyer or spouse

GENERAL QUALIFICATIONS CONT

- ❖ Post-purchase obligations
 - ✓ 36 months of owner-occupancy term
 - ✓ Annual certifications required in 3-year occupancy period
 - ✓ VOE's on form 9549A-E are required to be completed by the employer each year
- ❖ Refer case specific technical or property related questions to the jurisdictional Asset Manager

Poll Question

LAW ENFORCEMENT OFFICER

- ❖ Employed full-time by a law enforcement agency of the federal government, a state, unit of general local government, or an Indian tribal government; and
- ❖ In carrying out such full-time employment, the person is sworn to uphold, and make arrests for violations of federal, state, tribal, county, township, or municipal laws
- ❖ Serving the area where the home is located

TEACHER

- ❖ Employed as a full-time teacher by a state accredited public or private school that provides direct services to students in grades pre-kindergarten through 12; and
- ❖ The public or private school where the person is employed as a teacher serves students from the area where the home is located in the normal course of business

FIREFIGHTER/EMT

- ❖ Employed full-time as a firefighter or emergency medical technician
- ❖ By a fire department or emergency medical services responder unit of the federal government, a state, unit of general local government, or an Indian tribal government
- ❖ Serving the area where the home is located

Poll Question

Earnest Money

EARNEST MONEY DEPOSIT

- ❖ 1% of list price, but no less than \$500 and no more than \$2000
- ❖ Contract Extensions are available for a fee
- ❖ If cancelling a contract, contact the Asset Manager for further details

GNND loan Calculations

CALCULATING DISCOUNTED SALES PRICE

- ❖ GNND program borrowers are entitled to a discount against the sales price at settlement
- ❖ 50 percent discount from the list price
- ❖ The discounted amount is reduced by the closing costs and real estate commissions paid by HUD on behalf of borrower

Sample Calculation

- ❖ Contract Sales Price (from Line 3 of REO Sales Contract)
- ❖ - Discount (from Line 8 of REO Sales Contract)
- ❖ + HUD-Paid Closing Costs (from Line 5 of REO Sales Contract)
- ❖ + HUD-Paid Sales Commission (from Line 6a of REO Sales Contract)
- ❖ = Discounted Sales Price

For example:

- ❖ Contract Sales Price
\$100,000
- ❖ - 50% Discount
- 50,000
- ❖ = 50,000 \$
- ❖ + Sales Commission + 5,000
- ❖ + HUD-paid closing costs + 3,000
- ❖ = Discounted Sales Price for Mortgage Calculation Purposes \$ 58,000

Subordinate 2nd Mortgage

SUBORDINATE MORTGAGE

- ❖ Required
- ❖ Must equal 50% of the list price
- ❖ 36 months term
- ❖ Self-amortizes monthly
- ❖ Pro rata balance due for non-compliance computed from month of violation

Refinancing

REFINANCING

❖ Permitted with restrictions

1. Contact HUD's Contractor, C&L Service Corp/Morris-Griffin Corp for subordinations

❖ Purpose:

1. Result in a lower annual percentage rate on the first mortgage
2. To rehabilitate or repair with 203 (k) program
3. To prevent GNND borrowers from defaulting on the first mortgage

Resources

NATIONAL SERVICING CENTER

For Subordination & Refinancing related questions contact:

Department of Housing and Urban Development

National Servicing Center

301 NW 6th Street, Suite 200

Oklahoma City, OK 73102

Phone: (877)622-8525

Website:

<http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>

GNND SUBORDINATION REQUEST

Processing of a GNND subordination request is handled by
C&L Service Corp./Morris-Griffin Corp.

Attn: GNND – Customer Service

2488 E 81st St., Suite 700

Tulsa, Oklahoma 74137

Fax: (918) 935-2994

Toll free: (877) 622-8525

<http://www.hud.gov/offices/hsg/sfh/nsc/rep/gnndsubs.pdf>

WEBSITES

Visit <http://www.hud.gov/salesincentives>

For GNND properties listed for sale and bidding procedures go to the following HUD website:

<http://www.hud.gov/offices/hsg/sfh/reo/goodn/gnndabot.cfm>

RESOURCES

ML 2010-17, 2010-16, 2010-08, 2000-27, 1995-56

NOTICE H 09-17

WWW.HUD.GOV

WWW.HUDhomestore.com

<http://www.hud.gov/salesincentives>

<http://www.hud.gov/offices/hsg/sfh/reo/goodn/gnndabot.cfm>

NATIONAL SERVICING CENTER @ (877) 622-8525

And: <http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>

C&L SERVICE CORP./MORRIS-GRIFFIN CORP @ (866) 377-8667

And: <http://www.hud.gov/offices/hsg/sfh/nsc/rep/gnndsubs.pdf>

Disclaimer

- The purpose of this presentation is an overview of the subject matter with summation and explanation of recent changes in FHA policy. It introduces and explains, rather than supplants, official policy issued in Handbooks and Mortgagee Letters. If you find a discrepancy between the presentation and Handbooks, Mortgagee Letters, etc., the official policies prevail. Please note the information provided in this training is subject to change.
- Please consult HUD online Handbooks at <http://www.fhaoutreach.gov/FHAHandbook/prod/contents.asp?address=4155-1> and Mortgagee Letters through <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/index.cfm> for the most recent updates and current policy.

The background features a large, faint, light blue circular seal of the Federal Housing Administration (FHA). The seal contains a central shield with vertical stripes and two stars, surrounded by the text "U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT".

THANK YOU!